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Statement of
Dorothy H. Jacobson
Assistant Secretary for International Affairs
U. S. Department of Agriculture
Before the Subcommittee on Foreign Economic Policy
House Foreign Affairs Committee
July 27, 1965

Through its responsibilities for administration of Titles I and IV of PL 480, the Department of Agriculture is acutely aware of and very much concerned about the need to make the fullest possible use of local currencies for the benefit of the United States and its activities overseas. We have consulted and will continue to consult with the Congress on this important aspect of PL 480 operations as part of the Congressional consideration and action on PL 480 itself, in connection with our review of the Department's activities before the Congressional appropriation committees, and through special facilities such as the Legislative/Executive PL 480 Advisory Committee established by the Congress during its most recent consideration of PL 480 in 1964.

I believe the Subcommittee has had made available to it a special report on Utilization of U. S. Government Foreign Currency Balances which was recently prepared by agencies concerned with this subject in the Executive Branch of the Government. This report discusses a number of important aspects of this question. For example, it indicates the benefit to our balance of payments through use of foreign currencies, principally those derived from PL 480 operations, amounting to more than \$2.5 billion during the past ten years. The report shows that such savings amounted to about \$300 million in FY 1964 and we estimate that these savings will amount to about the same for FY 1965.

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The Department of Agriculture has endeavored to maximize the savings to the U. S. balance of payments through administration of PL 480, particularly during the past several years as part of the general U. S. Government effort to reduce the outflow of U. S. dollar expenditures overseas. One of the principal means for doing this has been to increase the proportion of local currencies in Title I local currency agreements to meet the needs of U. S. Government agencies for these currencies. The proportion of currencies for U. S. agency use increased in fiscal year 1964 to 27 percent as compared with 17 percent in the previous period.

In addition, toward the objective of making additional savings in the U. S. balance of payments position through PL 480 operation, we have endeavored to shift our PL 480 programing from Title I local currency sales to Title IV dollar credit agreements as rapidly as the economic development of countries receiving commodities under PL 480 permits. For example, the value of agreements entered into under Title IV during FY 1965 was \$219.6 million as compared with \$118 million during FY 1964 and \$87.8 million during FY 1963.

Also we have developed repayment terms under the Title IV agreements insofar as possible with larger initial payments amounting to 20 to 25 percent of the value of the agreements. We will continue to work in this direction. Furthermore, we direct our efforts to shifting countries to commercial purchases as rapidly as they are able to provide for their agricultural import requirements on the commercial basis with the hope that a large proportion of the commercial purchases will be made in the United States. Direct commercial sales or sales under short term CCC credit are an immediate benefit to the U. S. balance of payments.

As noted in the report, the local currency proceeds of the sales of Title IV commodities are used for economic and social development programs as agreed upon by the U. S. and the other Governments concerned. In addition to assisting in economic development of these countries these currencies, to the extent that they can be used in lieu of currency generated through AID dollar expenditures, have a potential beneficial effect upon the U. S. balance of payments.

One of the prime uses of local currencies accruing under Title I of PL 480 agreements with which we are directly concerned is for helping develop new markets for our agricultural commodities. With the availability of these funds we operate market development programs in 71 countries through 47 associations of U. S. producers and users of these commodities. Since the beginning of the program, expenditures of PL 480 funds for market development have totaled about \$56.1 million. From their own resources cooperating trade and agricultural groups have expended about \$37.2 million, bringing the foreign market development total through CY 1964 to about \$93.3 million. In addition to the programs operated through private cooperators, market development activities have included participation in trade fairs and trade centers, and marketing research and utilization research.

Private commercial exports for 1964 reached \$4.6 billion -- a 130 percent increase over 1955. Market development activities carried out with PL 480 local currencies over the past nine years have contributed to this increase of agricultural exports.

Another significant utilization of local currencies is for loans to private enterprise. Some 287 loans have been made utilizing about 69 percent of funds now available for this purpose. These loans serve as an important stimulus to private economic development in developing countries.

As indicated in the report and in the testimony of Mr. Gaud before you on July 20, the crux of our problem on use of local currencies is with India, Pakistan and the UAR. These are the countries where our accumulations of currencies are really large. Mr. Gaud's statement also described a number of programs being developed to make constructive use of these currencies. His statement also lists the problems associated with increased utilization of these currencies.

We are constantly seeking ways to make greater use of them. One means we would like to mention particularly is to use them to purchase housing for our representatives abroad. This would mean a saving over rental payments and over cost of shipping furniture for these representatives. We believe that this use of the funds could be expended by special foreign currency appropriations or possibly through the experimental proposal of authorizing the President to spend up to 5 percent of each excess currency -- a proposal which has been included in the President's 1966 budget proposal.

We are also looking for ways to use more of the excess supply of local currencies to reduce expenditures of transporting agricultural commodities under PL 480 programs.

However, you will note the conclusion in the report that has been made available to you that the result of these various efforts to use increased amounts of the excess foreign currencies for uses of the U. S. Government is likely to be a rather modest benefit to the U. S. balance of payments. This stems from the fact that U. S. requirements are small in most

of the areas in which excess currencies are held. There are limits to the amounts of these currencies which can be converted into other currencies for U. S. uses as well.

We shall nonetheless continue our efforts to find constructive use of these currencies and welcome all suggestions which would aid toward this objective.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Office of the Secretary

AGRICULTURE AND FOOD AID

Remarks by Dorothy H. Jacobson
Assistant Secretary for International Affairs
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 3:10 P.M., Monday, November 14, 1966

When President Johnson sent his Food for Freedom message to the Congress last February he proposed a program directed toward winning the war against hunger in the world. In formulating this program he took into account population and food production trends that indicate prospective needs for food in the years ahead. He considered these needs in terms of the agricultural productive capacity of the United States, and in relation to existing domestic farm commodity programs that are now flexible enough for adjustment to meet those needs. He presented a comprehensive program looking toward victory over hunger in this generation -- a goal which the current explosion of scientific and technological knowledge has put within reach.

This comprehensive program included financial and technical assistance for agricultural development in aid-recipient countries. It included a call upon other highly developed nations to contribute their share. It also included significant changes in the United States program for food aid. The amended Agricultural Trade Development and Assistance Act, Public Law 480, as finally passed by the Congress last month and signed by the President last week, incorporates the major principles recommended by the Administration last February.

The most significant feature of this new legislation is its call for self-help efforts to accelerate food production within the food deficit nations themselves. This purpose was given major emphasis by President Johnson when he presented the Administration's program. As the food aid bill progressed through the Congress, both the House and Senate added provision after provision to strengthen the emphasis on agricultural development within the recipient countries.

This avowed policy of the United States to stimulate, encourage and assist the developing nations of the free world to improve their own food production could hardly be more firmly expressed than in the new food aid legislation. It is a new policy, firmly supported not only by both the Executive and Legislative branches of the Government but also by public

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opinion throughout the nation. It reflects a changed attitude that has come about as a result of an emerging recognition of the fact that a grave world food crisis can be avoided only by sharply accelerated rates of increase of food production within the food-deficit regions of the world.

This fact was clearly brought out by an interdepartmental study of current trends. If these current trends in food production and population growth in countries receiving food aid from the United States are allowed to continue, the result would be a growing food deficit that would need to be met by constantly increasing imports from more highly developed countries. For a few years the United States could produce enough to fill the deficit by bringing diverted acres back into cultivation -- provided that we could afford the cost of such massively increased food aid programs. But at some time, certainly within the next two decades, the needs of the food-deficit aid-recipient countries would increase to an amount greater than that which we could produce, over and above our domestic needs and our increasing commercial exports.

Thus it is clear that the world food problem cannot be solved by increasing food aid. The only permanent solution of this problem, as was stated in U.S.D.A.'s World Food Budget - 1970, published in 1964, is to be found by increasing agricultural productivity within the developing nations themselves.

With this new emphasis on self-help -- on a policy of assisting developing countries to accelerate their own agricultural production -- the United States accepts the problem of hunger in developing nations as our own problem. Our policies and our assistance programs must be directed toward its solution -- for humanitarian reasons as well as in our own self-interest.

In the first place, it is morally impossible for us to accept widespread hunger and suffering when we know that it is scientifically and physically possible to produce enough for all.

In the second place, we recognize the extent to which our own future economic progress, our own hopes for greater international trade, even our own prospects for a steady and continued increase in commercial exports of farm products depend upon the rate of economic growth in the developing nations. The largest potential market in the world now lies in the less developed nations with their rapidly growing populations. That market is a sleeping giant with an almost limitless capacity to consume. The unmet needs of these billions of people -- needs for food, for clothing, for every product of modern industry -- far exceed the needs of the developed world. But this sleeping giant will awaken, and this market will come to life, only when economic growth brings higher incomes and greater buying power.

We already have evidence that increased per capita incomes in the developing countries result in increasing exports of the products of American farms. As these countries improve their per capita incomes by 10 percent, their imports on commercial terms of commodities in general increase by 11 percent, while their commercial imports of food increase by 16 percent. Among countries that have achieved a substantial measure of economic growth we note that -- in comparing 1955-59 with 1961-65 -- our cash exports of farm products to Israel doubled, those to Spain increased ten-fold, those to Taiwan increased by 13 times, and those to Greece by 16 times.

A prelude to market development in the developing nations must therefore include policies and programs that stimulate and encourage rapid economic progress in those countries. And, while that progress must affect every sector of their economic life, emphasis on the agricultural sector deserves much higher priority than it has received in the past -- if only because most of the people are in rural areas. Until the level of living of these rural majorities can be raised, until hundreds of millions of farmers can rise above their primitive subsistence agriculture and enter the market economy, overall economic growth will be severely retarded.

Thus, paradoxical as it may seem, we must help the farmers of developing nations to improve their own agriculture if we would transform those nations into better cash customers for our own farm products.

A third basis for our policy of assisting agricultural development and economic growth in less developed countries relates to the overriding importance of narrowing the gap between the "have" and the "have-not" nations. Under present trends, this gap is widening. If these trends continue, and if this gap continues to widen, the unrest and violence that must inevitably accompany hunger and poverty in the emerging nations will threaten our own freedom and prospects for peace. Thus we recognize that it is in our own interest, as well as of benefit to all mankind, that we gear our policy toward helping the developing countries to help themselves.

The self-help emphasis in the new legislation encompasses much more than increased agricultural production. It recognizes the need for developing related industries, such as those producing fertilizer and other agricultural chemicals and farm machinery and equipment. It emphasizes storage facilities as well as improved marketing and distribution systems. It includes a section authorizing the Secretary of Agriculture to establish a program of "farmer-to-farmer" assistance, to recruit and train people "in the practical techniques of transmitting to farmers ... improved practices in agriculture," and to conduct research in tropical and sub-tropical agriculture.

The new food aid bill specifically regards the resolution of population problems as a part of the self-help effort. It provides, in Section 103(a), that the President shall "take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth."

It provides, in Section 405, that "the authority and funds provided by this Act shall be utilized in a manner that will assist friendly countries that are determined to help themselves toward a greater degree of self reliance in providing enough food to meet the needs of their people and in resolving their problems relative to population growth."

It further authorizes the use of foreign currencies that accrue from sales under this Act: -- (a) for carrying out programs of United States Government agencies to ... "promote and support programs of medical and scientific research, cultural and educational development, family planning, health, nutrition and sanitation"; and (b) "for financing, at the request of the (recipient) country programs emphasizing maternal welfare, child health and nutrition, and activities, where participation is voluntary, related to the problems of population growth, ..."

The self-help principle is further reinforced in the new Act by its provision for a progressive transition from sales for foreign currencies to sales for dollars on credit terms at a rate whereby the transition can be completed within five years. Thus the provision of food aid will progress toward terms similar to those that apply to capital assistance. Recipient countries, recognizing that food aid will cost more than it has in the past, will be encouraged to put greater emphasis on expanding domestic food production whenever that would reflect an economically sound allocation of development resources.

Still further reinforcement is provided by Section 109 -- inserted by the Congress itself -- which lists nine criteria which shall be considered in evaluating self-help efforts, and which provides that each sales agreement "shall describe the program which the recipient country is undertaking to improve its production, storage, and distribution of agricultural commodities; and shall provide for the termination of such agreement whenever the President finds that such program is not being adequately developed."

While the self-help principle is the most far-reaching of the new concepts in our food aid program, there are others of major significance.

It is well known that the new Act no longer limits food aid to surplus commodities, but now encompasses any agricultural commodity or product (except alcoholic beverages for both sales and donation programs and tobacco for donation programs) determined to be available by the Secretary of Agriculture. The Secretary, in determining commodities available, may

not reduce supplies below quantities needed to meet domestic requirements, adequate carryover, and anticipated commercial exports. However, he will exercise his authority in domestic farm programs to encourage production of quantities needed for food aid as well as for all other uses. Food aid can now be geared more specifically to needs in aid-recipient countries.

There is a new emphasis on nutrition in the new legislation. Authority is provided to enrich and fortify commodities to improve their nutritional value. There will be greater emphasis on programs to combat malnutrition in children, through school lunches and pre-school feeding programs. Nutritionally adequate prepared food mixes, designed to meet serious protein and vitamin deficiencies, are getting increased attention. Nutritionally valuable foods that were not previously available because they were not in surplus can now be made available for food aid.

Another important feature is the emphasis on international effort. In his Food for Freedom message President Johnson pointed out that "hunger is a world problem. It must be dealt with by the world." He urged a "truly international effort to combat hunger and modernize agriculture," and announced our policy to work to strengthen the Food and Agriculture Organization, and to expand the efforts of multilateral lending organizations, and of the United Nations Development Program, particularly in food and agriculture. The new Act contains a section affirming the "sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combating world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs." The United States is seeking to stimulate action on the part of the Development Advisory Committee of the O.E.C.D. and to secure provisions for food aid in any international grains agreement that may be concluded.

These are the major new features of our food aid program.

Other features that have been developed and carried out under Public Law 480 during its twelve year history will be continued. Among the most important of these are the development of foreign markets for American agricultural products, research and educational activities in recipient countries, emergency relief, food donation programs operated by voluntary agencies approved by the United States Government, food-for-work programs and the use of food to finance agricultural and community development projects, and the promotion and financing of investment and development by private industry -- both American and local -- in recipient countries. These features have all proved their usefulness over the years.

I should like to turn now to a consideration of the implications of this new program, both in terms of United States foreign policy and overall foreign assistance programs and in terms of American farm commodity programs.

Much has been said about the new program involving a "reversal" of United States domestic agricultural programs. It has been suggested that policies to restrict farm production are being supplanted by programs to produce for food aid. Other agriculturally advanced nations that compete with us for commercial markets fear new threats to their markets. And critics of measures designed to control production have suggested that, in view of world food needs, all controls should be abandoned.

The new program is not such a complete "reversal" as many would have you believe. Our policy, for at least the past six years, has been to gear production to amounts that can be constructively used, including amounts needed for food aid, while avoiding the stockpiling of burdensome surpluses that cannot be used. This policy has met with substantial success, and our commodity programs are designed to be flexible enough so that they can be adjusted to anticipated needs.

It has been suggested that current world food needs should have been anticipated earlier, but statistics show that the presently alarming rates of food production per capita are a product of the sixties. During the 1950's, production per capita seemed to be rising. Those few far-seeing leaders who were calling for increased agricultural production in less developed nations during the 1950's were calling for it in terms of progress toward higher standards and greater self-reliance in the developing nations themselves, rather than in terms of a potential net world scarcity of food.

The population explosion, as we know it today, is a relatively recent phenomenon. From the distant and uncertain date of man's first appearance on earth, perhaps a thousand centuries ago, up to only a few hundred years ago, world population increased very slowly and gradually. Population growth rates during much of the world's known history have been on the order of two percent per century -- as compared with the current two percent per year.

The current population explosion is in a large measure the product of the sharpest drop in death rates in history -- resulting from scientific and medical advances and public health measures in the decades since the end of World War II. (It is, for example, reported that the death rate in Ceylon dropped 40 percent in one year as a result of the use of D.D.T.) Population growth rates in the less developed world are now as high as $2\frac{1}{2}$ and 3 percent a year, and it is likely that population will increase by one billion by 1980 and may double by the year 2000.

But during this same period the expansion of food production has not kept up. At first the developing countries seemed to be doing pretty well, with food production increasing at an average rate of 2.6 percent a year during the 50's. This was a little higher than the population growth rate, and the per capita production was therefore slowly rising.

This trend seems to have changed thus far in the 60's. At present the per capita production of food seems to be trending downward in many of the less developed countries of the world.

At the same time, slowly rising per capita incomes are increasing the demand for food at a time when per capita availability from domestic production is either static or decreasing. The income elasticity of demand for food is high in countries where the average diet is some 10 percent below a minimum caloric standard.

Thus the world food problem has emerged during the 1960's as one of serious and urgent proportions. During the 1950's the trend may not have been as good as we had hoped, but it was going in the right direction. In many important areas of the developing world, new land was being brought into cultivation, and this acreage increase was responsible for a substantial part of the increased production of food.

In contrast, during the 1960's we are faced with the fact that in some of the hungriest and most heavily populated countries most of the available agricultural land is already under cultivation. It is true that vast new acreages could be put under cultivation in parts of Latin America and Africa. Desalinization is restoring some agricultural land in Pakistan. But India has the highest percentage of its agricultural land now under cultivation of any large country in the world. And most of this land has been cultivated for thousands of years. In the years immediately ahead most of the increase in agricultural production in much of the world will have to come about by the costly and difficult process of increased yields.

Thus our policy today continues to be directed toward meeting the needs, as well as they can be determined, of a rapidly changing world. We have called for more production, on more acres, of grains for which the need is clearly apparent. We will use food aid, in increased amounts if necessary, to fill the gap as the developing nations undertake the difficult and expensive task of increasing their own production. And we will help them by coordinated programs of technical and capital assistance, giving higher priority and greater emphasis than has been given in the past to food and agriculture.

Under the new program, food aid will be coordinated more closely with overall assistance programs. American farm commodity programs will be influenced by assistance needs. This imposes a great responsibility on the Secretary of Agriculture, who must "determine the agricultural commodities and quantities thereof available for disposition ... and which may be included in the negotiations with each country," as well as to make decisions on acreages and prices that will influence American farm production. The departments and agencies involved in this great coordinated effort will have to work together more closely than ever before.

The most fundamental "reversal," if there has been a "reversal," in United States policy lies not in a shift from restriction to expansion in our own agricultural production, but in the shift toward stimulating and assisting increased food production in the developing nations.

Two weeks ago in Paris, in speaking to Agriculture Ministers of the O.E.C.D., Secretary-General Kristensen said that, to the highly developed nations rapidly increasing their own agricultural productivity, the world food problem could be either a challenge or a temptation.

It is a temptation, with some appeal, for an agriculturally advanced, highly developed nation to think of going all out in expanding food production, pouring the excess in some abundance into the hungry nations. But to follow this temptation would be to allow food aid to be used as a crutch, to tempt the hungry nations, in turn, to delay or neglect their own agricultural development -- which alone can provide a permanent solution for the problem of hunger.

In this new food aid program, coupled with our domestic agricultural policy, the United States has resisted the temptation and accepted the challenge.

THE WAR ON HUNGER -- TEMPTATION OR CHALLENGE?

When President Johnson sent his Food for Freedom message to the Congress in February, 1966, he proposed a program directed toward a world-wide war against hunger and malnutrition. He challenged this Nation and other Nations to mobilize for victory in that war.

Secretary Freeman presented and explained that program to the Congress and to the public, thus effectively carrying on his determined conviction of many years' standing -- held long before he became Secretary of Agriculture -- that American agriculture had much to contribute toward resolving the paradox of poverty amidst plenty in the world. He has consistently directed the mobilization of the resources of the Department of Agriculture toward the achievement of that goal -- both at home and abroad.

Today I would like to discuss with you the nature and magnitude of the world food problem which the war on hunger must solve. It has important implications for American agriculture, and for the kinds of farm programs and policies that will enable this Nation to fulfill its responsibilities, both to hungry people abroad and to American farmers at home.

I believe that the first phase of the war on hunger is well launched. This first phase called for a full recognition of the urgency of the need for a massive and immediate effort to combat hunger and malnutrition, particularly in those parts of the world where two-thirds of the people live, where average per capita diets are far from adequate, and where population is growing at an unprecedented rate. This phase called for more than a mere recognition of an urgent need --

Address by Dorothy H. Jacobson, Assistant Secretary of Agriculture for International Affairs, at Agricultural Stabilization and Conservation Service Conference, Des Moines, Iowa, Hotel Savery, 11:30 A.M.(CDT), Sept. 8, 1967.

it called for a serious assessment of how to approach a solution -- since it was clear that no time could be wasted in getting on with the job.

In making such an assessment we started from the fact that the United States had been providing food aid to hungry people in other Nations for many years. A review and evaluation of aid under PL 480 showed that it had relieved hunger and suffering for millions of people in more than a hundred countries; and that it had helped to combat inflation and to support economic development in many recipient Nations. While accomplishing this it also served as an outlet for millions of tons of grain -- and other foods -- produced by American farmers.

But the review of the history of food aid also showed one startling and disturbing fact. During the years 1959-61 the hungry Nations imported 20.7 million metric tons of grain annually. Two-thirds of this was imported on commercial terms, and one-third on concessional terms. But in the year 1964-65 -- only four or five years later -- these same countries imported 29 million metric tons, over one-half of which was imported on concessional terms, under PL 480. Clearly we were feeding hungry people, but just as clearly we were not helping them to feed themselves. Food aid was not solving the world food problem. The trends were in the wrong direction.

All of our assessments, all of our projections, all of the serious studies of the subject pointed to the only answer to the world food problem -- the trends must be changed. The population growth trend in the developing countries must be altered downward. Their rate of growth in food production must be altered upward. As Secretary Freeman clearly pointed out in his testimony last year on the Food for Freedom bill, the only answer lies in greatly accelerating food production in the hungry Nations themselves.

This is the reason for the most important feature of our new food aid program -- its emphasis on self-help. This is why we have tied our food aid program to accelerated efforts on the part of developing countries to improve their own agriculture. Our present policy is to continue food aid, and even to increase it if necessary, but not to a level at which it would handicap the self-help efforts of recipient countries. It will rather be used to encourage them to achieve a level of economic development at which they can either produce, or buy on commercial terms, the food they need.

This self-help feature of the new program was stressed by President Johnson and Secretary Freeman in presenting the Administration bill last year. It was vigorously supported by both Houses of the Congress -- and on both sides of the aisle. It received widespread public support and acclaim in the United States, and in the developing countries as well. An essential part of this self-help program is provision for technical and capital assistance, as well as food aid, for Nations determined to help themselves.

Thus, as I said earlier, the first phase of the war on hunger is well launched. We have overcome the roadblock of unawareness, indifference and apathy. High priority is now being given, by developed and developing countries alike, to the important role of accelerated agricultural development in achieving victory over hunger and malnutrition in the world.

It may also be worth noting here that concern for altering trends of population growth is now getting attention it has never before received. It is less than ten years since India became the first Nation in the world to adopt an official family planning policy. It is less than one year since the United States itself wrote into any law (that had more than local application) a provision such as that now in PL 480, recognizing the principle of assistance -- on request and provided programs are voluntary -- for family planning efforts. All of the most densely populated developing Nation with high population growth rates now have programs directed toward altering those rates downward. More scientific progress is being made -- faster -- in this field than ever before. Many students of population problems believe that these combined factors will show results, such as those already demonstrated in Japan, Korea and elsewhere. This does not mean that efforts on the population front can be relaxed, but rather that they should be intensified because they can succeed.

It is, of course, obvious and widely recognized that in any concern for a balance between population growth and food supply the two are not only closely related but inseparable. But I would like to emphasize two aspects of the problem of population growth rates that are not so widely recognized in their relation to the world food problem.

One is the apparent paradox, emphasized by the President's Science Advisory Committee, that a reduction in childhood mortality will reduce rather than raise the rate of population growth! This is the case even

though the current population explosion is itself the product of the sharpest reduction of death rates in history. The relationship may seem complex, but it arises out of the simple fact that population growth rates are determined in part by millions of individual and family decisions. Surveys show that families in developing countries desire more children than those in the highly developed Nations. To quote from the PSAC Report on the World Food Problem, "Emphasis on the desire for heirs leads to large families. Only one son may be needed for ritual or economic purposes, but it is common to want two sons to insure against the death or incapacity of one." Since malnutrition is directly or indirectly one of the chief causes of infant and early childhood mortality in the hungry Nations, it follows that the elimination of such malnutrition and the consequent lowering of the infant and child mortality rates could contribute materially to a lowering of the birth rate in those countries. This argument gives added impetus to the importance of that aspect of our Food for Freedom program that is directed especially toward combatting protein and vitamin deficiencies in infants and children in the developing Nations.

A second aspect of the population problem that is particularly important in considering the food supply question is the simple fact that, even if the hungry Nations achieve success in altering population growth rate trends, it will have little effect on food needs in the years immediately ahead. It might be said that in planning strategy for victory

in the war on hunger, the next two decades should see progress on the population front that will begin to take effect in the 80's, and that until that time the food supply front will continue to demand critical and urgent attention as well. Given enough effort on these two fronts, the war on hunger could be won in this generation.

But where do we go from here in the next phase of the war on hunger? Without question, the most difficult job lies ahead. The war on hunger may have been declared, but the world has hardly begun to mobilize its forces. We do not yet fully realize the magnitude of the effort it will take, or the nature of the forces that must be marshalled to do battle.

Two recent studies put out by the United States Government present facts and figures that indicate where we must go from here. They both point in the same direction.

The first was issued last June in the form of a three-volume report on "The World Food Problem" by the Panel on the World Food Supply of the President's Science Advisory Committee. This report is directed toward an assessment of what is required to solve the world food problem. It makes recommendations for action by both developed and developing countries.

The second study was issued last month by the Department of Agriculture. It consists of a study of the World Food Situation in terms of the Prospects for World Grain Production, Consumption and Trade up to 1980. This study makes no policy recommendations, but rather presents an analysis of trends, probabilities and potential needs that are of utmost importance to policy decisions with regard to food aid, other economic assistance programs, domestic farm programs and the expansion of commercial exports.

The PSAC report indicates that the world food problem can be solved, and that "it must be solved within the next two decades. If it is solved during this time, it will be manageable for the years thereafter." The entire report emphasizes the concept that most of the increase in food production that is needed to meet the needs of developing countries must take place within those countries themselves. It then attempts to measure the magnitude of the effort necessary to achieve that increase in production.

It attempts to measure the quantities and costs of the production inputs -- such as fertilizer, pesticides, seeds and machinery -- that will be required to achieve the desired goal. It assesses the kinds of policy changes needed to provide essential incentives for farmers, for agribusiness, and for investment. It emphasizes the need for technical assistance, for research and education, and for the role of private enterprise. It concludes that "gigantic efforts will be necessary in the developing countries ... to attain the desired food and income levels" and that "The developed world, in turn, will have to assist in the next twenty years with the provisions of a high level of economic and food assistance and private capital and, perhaps even more important, with the creation of an environment more favorable to the growth of the developing countries' exports."

The PSAC report further notes that "the world capacity to produce wheat may again in the future be larger than the economic demand for the crop." It emphasizes, with regard to food aid, that it should be "conditioned on implementation of self-help requirements" and "be administered to provide maximum incentives to the developing countries to increase production by investing in their own agriculture." It points out that while food aid will be required for some years to come to accelerate overall economic development, "expansion of concessional sales over an indefinite period is not in the best interest of either donor or recipient Nations" and that "recipient Nations may use such imports as a crutch to avoid the consequences of unchecked population growth, an unproductive agriculture, and irresponsibility in accelerating domestic economic growth." The PSAC report thus confirms the soundness of the new self-help policy incorporated last year into our food aid legislation. As a whole, it is the most eloquent and persuasive appeal for more technical and capital assistance to the poor Nations, and for other policies that will encourage and facilitate their economic development, that I have ever read.

The USDA report on the World Food Situation, Prospects for World Grain Production, Consumption, and Trade complements the PSAC report although the two were developed independent of each other. It is the latest and most complete analysis of the subject made by USDA's Economic Research Service after several months of careful study. It considers prospects for grain production and use in the entire world, thus measuring world food needs and potential world food supplies in terms of grain. It considers prospects that are likely to prevail in 1970, and then considers prospects that would be likely to prevail up to 1980 under four different assumptions with regard to the rate of growth and development in the hungry Nations.

Under one assumption the less developed countries improve their own agriculture only at the rate that has prevailed over the years from 1954 to 1966 (2.5 percent annually). A second assumption follows this historical trend as modified by expected improvements in the next two years resulting from plans already in effect in India and Pakistan (recipients of nearly one-third of total grain exports to the less developed countries). A third assumption is based on moderate improvement in food production in the hungry Nations as a result of self-help efforts -- not a crash program but one that would raise the average growth rate in agriculture from 2.5 percent to 2.9 percent a year. The fourth assumption projects a situation of such rapid improvement that grain output in the developing countries would attain a 4 percent per-year growth rate by 1975.

Under all of these assumptions, consumption of grain in the less developed countries is calculated on (1) their expected populations, and (2) the average per capita consumption that would result from the demand generated by the income level that would prevail. Thus, per capita consumption would increase some each year under all of these assumptions, but only under the fourth assumption would it approach standards considered nutritionally desirable.

For the highly developed countries there is only one set of projections based on the most likely growth in grain production, assuming that world market prices remain at about the levels of the past three years. For the United States, the acreages of grain harvested are assumed

to be 158 million in 1970 and 186 million in 1980 (as compared with a 184 million average in 1958-60 and about 165 million acres in 1967.)

This study shows that even if the developing, hungry Nations do not improve their rates of growth in grain production, the combined excess of food production capacity of all of the developed countries in 1980 will be more than adequate to provide for the increased food import needs of the hungry Nations.

It shows that under the first assumption, by 1980 the hungry Nations would need to import 58 million metric tons, and that the well-fed Nations would have the capacity to provide for their own needs and for the 58 million tons, yet still have 30 million tons left over. Under the second assumption the hungry Nations would need to import only 54 million tons leaving the grain exporters with 34 million tons of excess capacity.

Under the third assumption, one projecting moderate improvement in the hungry Nations, they would still need to import 52 million tons, and the agriculturally productive Nations could provide that amount and have 39 million tons left over. Under the fourth assumption, which projects such rapid improvement that it is not likely to be achieved, the hungry Nations would need imports of only 28 million tons; they would probably be able to pay for these imports on commercial terms, and their average per capita diets would approach adequate levels.

Under any of the assumptions, this study points out, the world as a whole in 1980 will have a productive capacity greater than that needed to provide enough to meet world-wide demand for food.

This is a statement of utmost significance for the war on hunger. But its significance does not lie in what some of the headlines have indicated, for it does not imply that the war on hunger is being won. On the contrary. It emphasizes the urgency of mobilizing to fight the war on hunger, and it shows the direction that fight should take.

The problem in 1980, like the problem today, will likely be distribution -- getting the food from the areas of abundance to the areas of scarcity.

Among the very significant conclusions that I believe can be drawn from this study of the World Food Situation are the following:

1. Although the world is clearly not losing its capacity to feed itself, the question of whether the world can feed itself is almost totally irrelevant as far as the war on hunger is concerned.

Where hunger is concerned, there is not one world but two. The highly developed, highly productive world and the hunger-ridden, less developed world. The rich Nations, the well-fed Nations, can produce so much more than they need that they can, and probably will, continue to be plagued with the possibility of surpluses. However, producing enough food to meet the needs of hungry people is quite different from actually feeding hungry people.

2. The problem of hunger in the world cannot be separated from the overall problem that arises because of the gap between the rich and poor Nations of the two worlds.

The PSAC Report puts it this way: "Hunger and malnutrition are not primary diseases of the last half of the 20th century. Rather, along with the so-called population explosion, they are symptoms of a deeper malady --

lagging economic development of the countries of Latin America, Asia, and Africa, in which nearly two-thirds of the people of the earth now live."

The U.S.D.A. Study puts it this way: "The world food problem is basically one of disparity of food production and food availability between the developing and the developed Nations. It is inseparable from the development gap between rich and poor Nations."

3. The war on hunger cannot be won on the fertile fields of Iowa, but these fields can continue to provide food aid that will be needed for many years ahead.

The study itself does not project how much of the imports which the hungry Nations will need will be on commercial terms and how much will be concessional. But it shows that their needs for grain imports are likely to double. Food aid may therefore increase substantially in the years that will elapse before the developing Nations can reach a stage of growth at which they can produce or purchase on commercial terms the food they will need.

4. The future growth of exports of American farm commodities will be affected materially by the extent to which the highly productive, highly developed Nations share in the responsibility for assistance to the hungry Nations.

The projections in the U.S.D.A. study clearly show that if the United States is to maintain or increase its traditional share of international commercial trade in farm commodities, policies should be developed under which the responsibilities for food aid and for balancing production with effective demand will be shared by other developed countries and not carried solely by the United States. The P.S.A.C. report supports this conclusion, specifically recommending that food aid should be the joint

responsibility of the developed Nations, and that U.S. trade and agricultural policies should "remain aggressive in expanding commercial markets of the world."

The United States has already taken the lead in focusing the attention of many international and multilateral bodies on the forces that need to be mobilized to win the war on hunger. One recent step forward was the multilateral obligation to provide food aid that has become a part of the international grains agreement now being concluded.

Last fall, during a dinner in Paris for representatives attending a meeting of the O.E.C.D. at which a principal subject of discussion had been the magnitude and urgency of the world food problem, Mr. Thorkil Kristensen, the executive director of that organization, summed up the problem that world food needs presented to the highly developed, highly productive Nations there represented. To them, he said, an impending world food crisis could be either a temptation or a challenge.

Last year, in adopting the new Food for Freedom program, the United States officially rejected the temptation and accepted the challenge.

But the temptation is still with us. -- The temptation to take a short term view -- to call forth the full productive capacity of American agriculture in an attempt to provide food enough for all the hungry people of the world.

This is an appealing temptation -- to those who fail to look ahead far enough to see how destructive it would be in the long run -- destructive of the very goals they seek to achieve.

It appeals to humanitarian instincts, so characteristic of Americans who would seek to alleviate hunger and malnutrition wherever they exist.

It appeals to the Nation's farmers, who could and would like to produce more and more, if they could only be assured of a fair price.

It appeals to those who would handle, store, transport and process the additional volume of commodities that would be involved.

But the short-term appeal of this temptation fades when we consider the long-term costs and consequences. In the long run it would defeat and destroy even the humanitarian goal of relieving hunger and malnutrition. In the long run it would defeat the hopes for the future for an expanding American agriculture -- that can look to the future for greatly expanding markets only among the billions of hungry people who will not become good customers until their own incomes have been increased enough so that they can afford to buy.

The two studies I have spoken of today, as well as every other serious and responsible study of the world food problem that I have seen, support the one clear conclusion that the war on hunger can be won only by increasing the productive capacity of the hungry Nations themselves. If they are to achieve the kind of economic growth that will enable them to reach higher standards of living -- that will help them to move up from poverty -- that will increase their per capita incomes, then they must improve their own agriculture at a sharply accelerated rate. The cold, hard truth is that concessional food grain imports from the rich and well-fed Nations in quantities great enough to dispose of the total grain productive capacity of the grain exporting Nations of the world would almost certainly deprive the developing, hungry Nations of the incentive to self-help and rapid progress.

We have just begun to explore whether there are additional kinds of food aid that might go further and faster toward raising nutritional standards without serving as a dis-incentive to reasonable prices to farmers in recipient countries. It may be possible, for example, for us to develop programs for expanded distribution of low-cost, high-protein-formulated foods for infants and children, on a scale sufficient to have a real impact, without jeopardizing self-development programs.

We are called upon today to do the tough, hard, complex job of gearing food aid to self-help, in order to win the war on hunger in the world. Our ability to do this will depend upon careful analysis, intellectual integrity and a high sense of responsibility. Because food surpluses have ended we must gear our agricultural production to expected total needs, at home and for both commercial exports and food aid abroad. This, in turn, calls for the highest level of cooperation and understanding between farmers and government -- and on the part of the public as well.

In the interest of long-run gains, we must be responsible enough to reject the temptation and accept the challenge. And I would conclude by noting that --at the present unprecedented rates of change in today's world, the long run is not so many years away.

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AMERICAN FARMERS AND THE EXPORT MARKET

Export expansion and Food for Freedom have already been listed by the Under Secretary as involving one of the key elements of an effective farm program. He also pointed out the important bearing that agricultural exports have on several other aspects of that program. He noted that programs for production adjustment must tailor our supplies to markets which include food assistance for those who need it -- abroad as well as at home. He pointed out that price support levels are now geared to world market values, which, in turn, are the product of international trade. He indicated that the size of reserves that should be held in a National Food Bank would have to be determined in part by the volume of our exports and by the size of reserve stocks needed as a cushion for international emergencies.

The question before us now is an evaluation of the role of export markets in an effective farm program.

Just how important are our agricultural exports?

What policies should we follow to insure that our agricultural exports will make a maximum contribution:

- to farm income?
- to overall prosperity and progress in the United States?
- to other major American objectives such as a secure and peaceful world?

And what are the prospects for the successful adoption, maintenance and implementation of such policies in the years ahead?

Address by Assistant Secretary of Agriculture Dorothy H. Jacobson at the President's 2nd Annual Farm Policy and Rural Life Conference, International Room, State Department, Washington, D.C., March 25, 1968, 10:00 a.m. (EST)

The stunning expansion of our agricultural exports in recent years is illustrated in the attached charts. Since 1960, we have pushed total agricultural exports upward from \$4.5 billion to almost \$7 billion. During that period, commercial exports -- sales for dollars -- climbed from \$3.2 billion to \$5.2 billion, a gain of 62 percent, while those under P.L. 480 increased slightly. Last year American farmers harvested 70 million acres for export -- one acre out of every four. Our farmers now export two thirds of their annual milled rice production; over half of their wheat production; a third or more of their grain sorghums, soybeans, cotton and tobacco; more than a fourth of their flaxseed; and nearly a fourth of their corn.

Our export market is therefore of utmost importance to the expansion and progress of American agriculture in the years ahead, and to the future of American farm income. Policies and programs that affect that market have a significant role in overall agricultural planning and policy.

It is also appropriate to note that such policies and programs, while of major importance to the agricultural and agribusiness section of our economy, are also of significance to the rest of the general public. Our balance of payments problem would be even greater today if it were not for the favorable balance of trade in agricultural products. Our prospects for a world in which security, progress and peace can prevail are significantly enhanced by the contributions our Food for Freedom program makes to the war on hunger and to economic development. We can, therefore, make a very good case in appealing for general public support for programs to increase agricultural exports.

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What, then, are the prospects in the years ahead for increased agricultural exports? And what policies will contribute most to that end? The answers to these questions can be approached by a consideration of our history and by an evaluation of conditions in the world today.

One reason for the recent increase in agricultural exports can be found in our vigorous market expansion and market promotion programs. Even in a period when utmost economy is called for, dollars spent efficiently for international agricultural intelligence and for effective market development will bring substantial returns.

Another factor underlying our increasing agricultural exports has been our overall policy directed toward liberalizing international trade.

Trade is a two-way street. When total world trade increases, all benefit. When total world trade declines, everyone loses. Agricultural interests need only to review history since World War I to see what trade restrictions can mean to the American farmers.

After the first world war the European countries that had been our chief agricultural customers stopped buying American agricultural products. They had no dollars. And we erected tariff barriers which prevented their selling us industrial products to earn dollars. Competing producers of agricultural commodities, generally not industrialized, welcomed imports of European manufactures for which they could pay with exports of wheat, corn and cotton. This, in turn, led to further expansion of production in such countries as South America, Asia and Africa. Soon world surpluses appeared.

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World prices dropped. In the 1920's the United States became the residual supplier of the world's needs for food and fiber.

The lesson of the twenties produced more enlightened policies in the thirties, and particularly in the forties and after World War II. We gave generous amounts of economic assistance to Western Europe and Japan, enabling them to recover and become good customers. We have taken a series of steps to liberalize trade, the latest of which was the recently concluded Kennedy Round conducted under the GATT. Europe prospered. Japan prospered. And the United States has prospered. Our agricultural trade with these countries has grown at very rapid rates.

What are our prospects for continuing this healthy development toward liberalized trade policies? We can and should ratify the Grains Agreement, described by President Johnson as "Another step forward in our over-all effort to strengthen and stabilize our farm economy, to improve our balance of payments, and to share our abundance with those in need." We can continue to consider further steps to liberalize trade. But there are clouds on the horizon, some of them within -- and some outside -- our borders.

Abroad, we see a re-emergence of restrictive trade policies such as those appearing in the European Economic Community -- one of our best and most prosperous markets. And at home there are increasing pressures from some groups that seek to increase trade barriers on imports either through more restrictive import quotas or higher duties. I refer, here, to proposals to increase trade barriers over and above measures necessary to counteract unfair trade practices.

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Of course we do not want American farmers subjected to unfair subsidization or dumping of exports by other countries. But restrictive measures that go beyond those necessary to insure a fair competitive position for the American farmer would do American agriculture much more harm than good. This type of action would trigger a response on the part of other countries to exclude our products. Since we have such a favorable export balance for farm products, provoking importing countries to increase their trade barriers would result in less total agricultural trade, and would have an unfavorable effect on overall farm income.

In the hope, therefore, of continuing liberalization of agricultural trade, we need to find ways to insure the American farmer of a fair competitive position without triggering uneconomic trade restrictions. We need always to weigh our policies in terms of their effect on American agriculture as a whole.

Turning, now, to a third and basic factor in our consideration of how to increase agricultural exports, we come to our customers. American farmers cannot expect a very great increase in the consumption of agricultural products at home. The expanding market that we have enjoyed as a result of the rapidly increasing prosperity of western Europe will, we hope, continue to expand. But Western European countries are increasing their own agricultural production. I have already referred to their programs to erect barriers against our products. Some of them have already reached such a high level of consumption that they cannot be expected to eat much more. As their increasing prosperity results in diets with a higher proportion of animal products they may need increasing amounts of our feed grains. But, neither at home nor in the highly developed prosperous countries of the world can we find a market big enough to challenge the tremendous productive capacity of American agriculture.

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The greatest undeveloped market on earth lies with the billions of potential customers in the newly developing world. These billions of people are hungry. Their numbers are increasing rapidly. They have an almost limitless capacity to consume.

But they are also poor. This greatest potential market in the world will come to life only as the people achieve higher levels of living, as they gain incomes high enough to enable them to buy. This is why our programs to assist and encourage economic growth in the newly developing Nations are imperative if we are to do our best to assure American farmers of a continually expanding export market. This is why our Food for Freedom program, as it is now directed, is an important part of our market development program.

We tend to think of a developing market in the hungry two-thirds of the world as something far in the future. But let's look at some of the facts of the recent past.

In fiscal year 1962, the U.S. exported 12.2 million metric tons of wheat under P.L. 480 to countries which also bought from us, for dollars, only 1.7 metric tons. By 1967 we were shipping 11.5 million metric tons of wheat to these same countries, under P.L. 480, but their dollar imports from us had more than doubled to 3.8 million metric tons.

In fiscal year 1962, we exported 1.1 million bales of cotton under P.L. 480 to countries that bought from us, for dollars, only about 300,000 bales. But by fiscal year 1967, our P.L. 480 exports to these countries were down to a little over 800,000 bales, while our dollar exports were over 850,000 bales.

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There are many other classic examples of where economic assistance has fostered economic development, and wise trade policies have yielded substantial trade benefits to the United States and to American agriculture.

Japan, our best example, in 1956 imported \$370 million worth of American farm products, a third of it under P.L. 480. Today, Japan is buying \$1 billion worth of our farm products, all of it for dollars. Italy, in 1956, imported \$114 million of our farm products, nearly a third under P.L. 480. Today it buys nearly \$300 million, all for dollars. For Spain the story is similar.

Other countries, like Israel, Taiwan and South Korea, which are lower in the scale of economic development but growing rapidly, are also rapidly increasing their commercial purchases of our farm products as their P.L. 480 imports decline. Secretary Freeman has recently pointed out that countries where per capita incomes are more than \$600 a year make commercial purchases of American farm products worth \$7.38 per year; where incomes are between \$200 and \$600 such purchases amount to \$4.18 per year; but where per capita incomes are less than \$200 this figure is only 30 cents. Secretary Freeman added:

"There are 22 countries that now buy only 30 cents worth of our farm products per capita per year. They have a combined population of 835 million. ... If each of these people last year had been able to spend just \$1 in buying our farm products ... we would have exported \$800 million worth of additional farm products. ... If they had spent \$2 apiece more for the food and fiber products they would like to buy from us, our exports for the year would have approached \$8-1/2 billion."

Thus it is clear that economic development is extremely important to our own export promotion efforts. It is only through economic development that a Nation can improve the buying power of its citizens and thereby make the transition from aid to trade.

Our foreign assistance programs are therefore of utmost importance to the future of American agriculture. And our Food for Freedom program is an important part of our overall assistance effort.

Our Food for Freedom program, of which P.L. 480 is a major part, is directed toward many inter-related goals in addition to that of building commercial markets for the future. It provides concessional markets for farm products for today, and has a major impact on our production adjustment and farm income programs. It relieves hunger and malnutrition and suffering all over the world. It is today operated as an instrument to help developing countries to help themselves to increase their own food production capabilities and to achieve overall economic growth. It is a major weapon in the war on hunger and an effective tool in American foreign policy.

Our P.L. 480 program was amended in 1966 to take into account new needs and new conditions in the United States and the world. The self-help principle as applied to recipient Nations was incorporated into the law. Provisions were included to provide for a positive shift toward agreements that progressively move toward harder, more nearly commercial terms. No longer are our food aid programs tied to stockpiles of surpluses.

Although P.L. 480 has been operated under these new directions for only a little over a year, its success has been such that the President recommended its renewal in its present form. Hearings have been held in both House and Senate. The food aid it provides, along with companion programs for technical and financial assistance to improve agriculture in newly developing Nations,

are critically important, not only to the hungry Nations of the world, but to the economic well-being of the American farmer.

I have suggested three avenues of approach to the problem of maximizing the value of agricultural exports to American farmers:

- vigorous and effective market development programs
- policies to liberalize international trade
- policies and programs to assist and accelerate agricultural development and overall economic growth in the newly developing Nations.

We face many problems with regard to all of these avenues of approach. I hope that, this afternoon, you will raise questions and express your opinions about such problems.

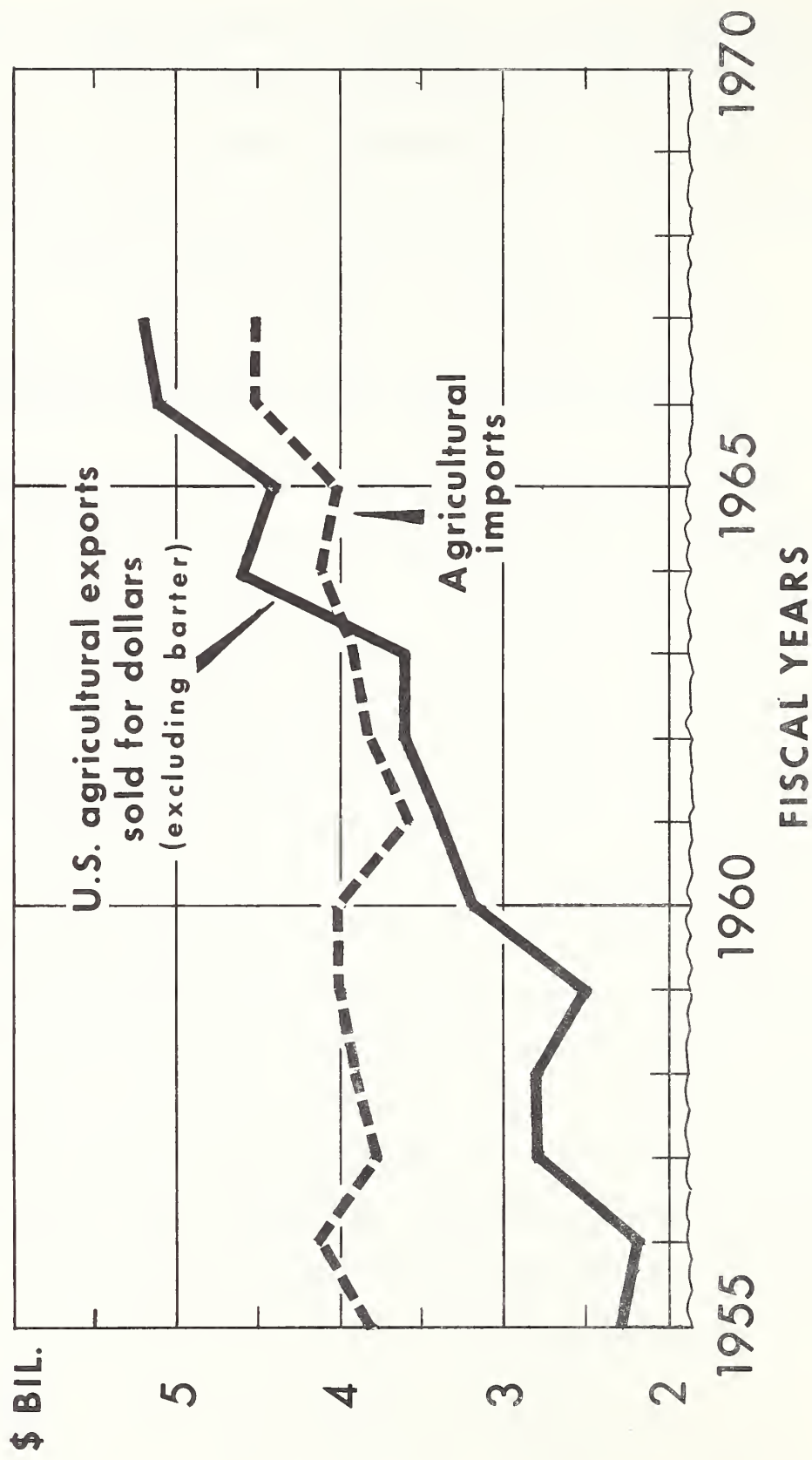
As we look to the future, we know that export markets will play an increasingly important role for American agriculture. We can see the arguments for liberalized trade and for assistance in economic development, and we recognize that the American farmer has a very important stake in both of these areas.

We cannot know to what extent the growing trend toward isolationism will affect this stake in our future. This isolationism expresses itself by pressures for restrictive trade policies and by drives to decrease our foreign assistance programs. If this trend should go unchecked, if this Nation should move very far toward confining our objectives, interests and energies within our own borders, the American farmer would face a far different kind of future. And the farmer, as an American citizen, would face a more dangerous world.

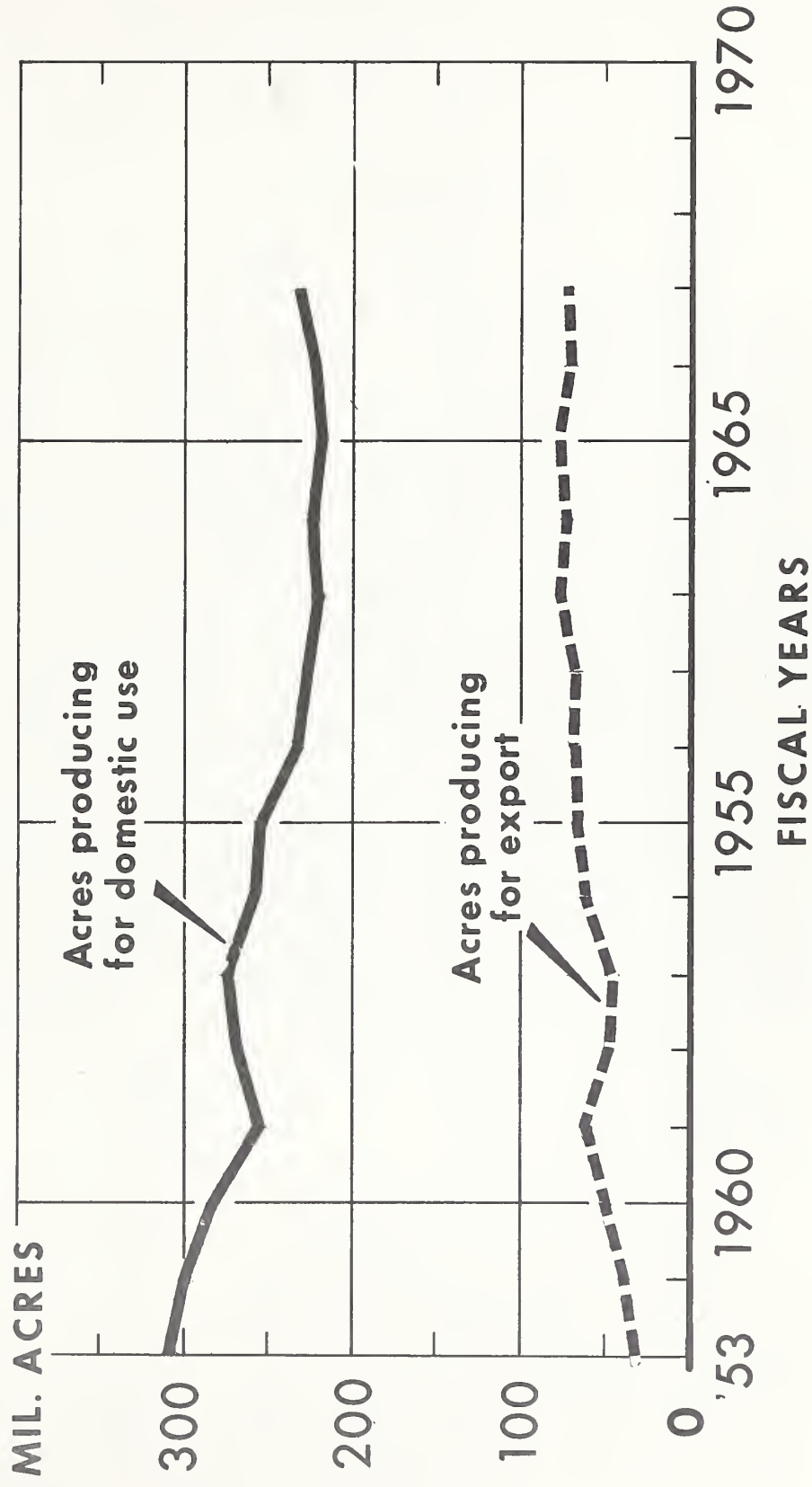
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